equatorial energy inc.

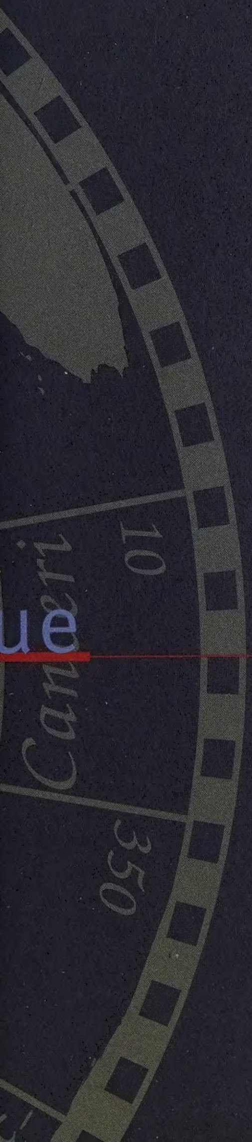
1997 annual report

Equatorial is an independent company engaged in the acquisition, exploration and development of international oil and gas properties.

Our aim is to become a successful global "boutique" by operating properties in international locations where our proven expertise can generate maximum returns to shareholders. Currently, the company's core operations are in Indonesia and Australia.

Equatorial has offices in Jakarta and Muara Enim, South Sumatra, Indonesia. The corporate head office is in Calgary, Canada.

global growth for shareholder v



milestones of success

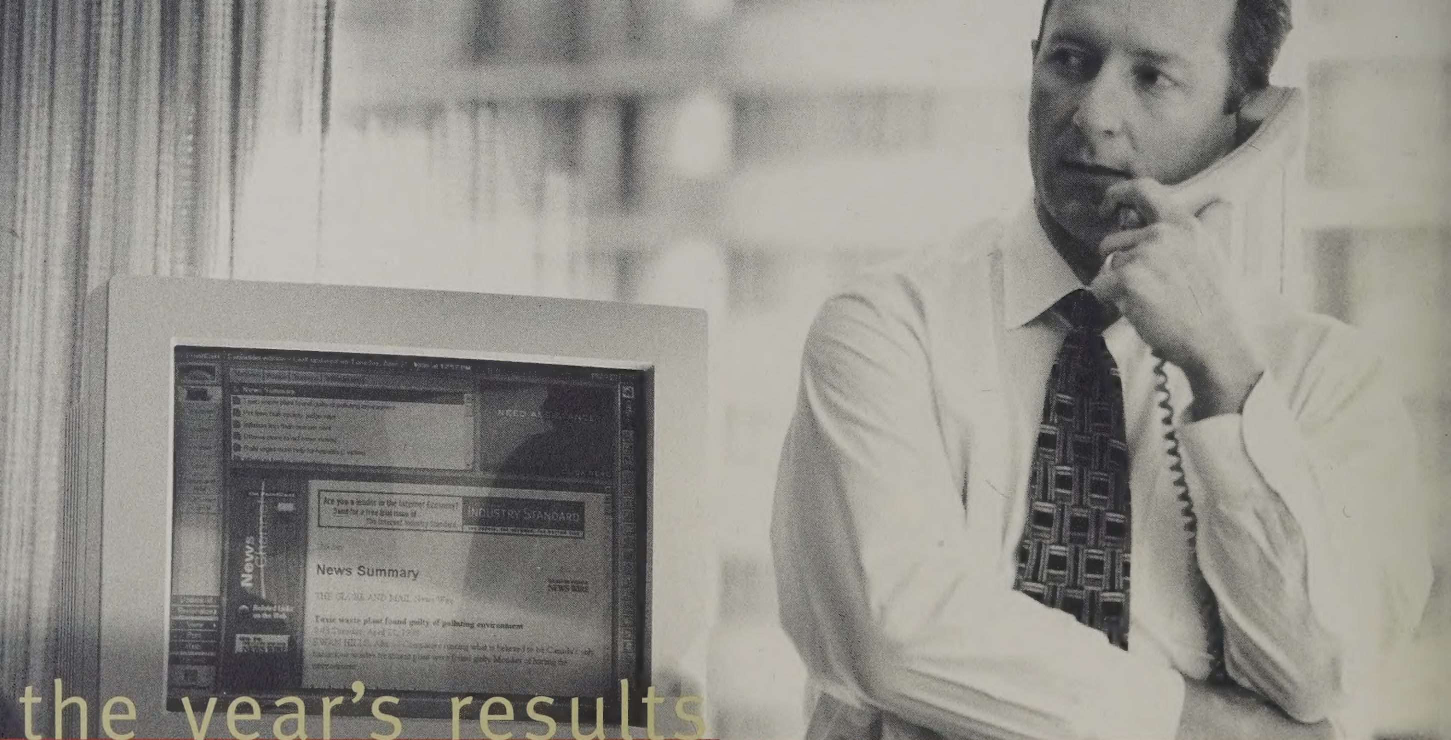
January 1997 completed $5 million private placement of Special Warrants to fund the purchase of the Tanjung Lontar Technical Assistance Contract and to establish an Indonesian operation.

May 1997 took control of three Indonesian oilfields at Tanjung Lontar and began extensive evaluation program.

September 1997 completed $12.75 million private placement of Special Warrants to fund growth program.

January 1998 signed an agreement with First Dynasty Mines to obtain 80 per cent of the Sembakung Technical Assistance Contract in East Kalimantan, Indonesia.

January 1998 "Declaration of Commerciality" obtained from Pertamina, allowing the sale of oil from the Tanjung Lontar Technical Assistance Contract in South Sumatra, Indonesia.



the year's results reflect the company's initial year as an international oil and gas operator. Indonesia is currently the focus of much of the company's attention.

The company's properties at Tanjung Lontar, South Sumatra, and at Sembakung, East Kalimantan offer the promise of significant upside through exploitation, exploration and development.

president's message

In spite of many potential hazards, 1997 was a great year for Equatorial — we accomplished a great deal.

It was a year that some will remember for the Bre-X debacle, the oil price crash and the potential collapse of Southeast Asian economies. In spite of such challenges, Equatorial forged ahead, unwavering, to achieve excellent results. Among our most noteworthy achievements:

- We raised $17 million through financing activities;
- We initiated cash flow from our Indonesian properties;
- We obtained a "Declaration of Commerciality" from Pertamina, allowing the sale of oil from the Tanjung Lontar Technical Assistance Contract in South Sumatra, Indonesia;
- And we negotiated the purchase of an 80 per cent share in the Sembakung Technical Assistance Contract in East Kalimantan, Indonesia – this acquisition, which is expected to close in the second quarter of 1998, will lift Equatorial to an entirely new level of size and productivity – it has "company-making" potential.

Since most of our efforts are currently focused on Indonesia, I am pleased to report that Pertamina, the Indonesian state-owned oil and gas company, has identified Equatorial's Tanjung Lontar project as one of the best-performing Technical Assistance Contracts in the country's history. Equatorial's reputation for excellence will make it easier for us to expand our business in Indonesia, which offers many attractive opportunities for a company such as ours.

Equatorial is well-positioned for growth, a position it has achieved through the hard work and sacrifice of a number of dedicated individuals.

My commendations go out to our Indonesian staff, both in the office and in the field. Thanks, too, to our core group of staff and professionals in Calgary.

I would also like to extend my thanks to our shareholders for their continued faith in our efforts, and to our Board of Directors for their insights and guidance.

Finally, on a personal note, I would like to thank my wife and children for their faithful support.

This has been a great year — and I fully expect even greater things from the year to come.

On behalf of the Board of Directors,

G. Marshall Abbott
President

Dave Matheson and Sjaiful Achmad with the managers and staff of Pilona Petro Tanjung Lontar Ltd., the wholly-owned Equatorial subsidiary responsible for the Tanjung Lontar TAC.

progress in indonesia

through technical assistance

contracts, Equatorial is participating in the development of lower risk exploitation and development properties in Indonesia.

The Tanjung Lontar TAC is a prolific shallow play with substantial potential in previously unexplored horizons. The Sembakung TAC promises to be a "company builder," with 11,000+ BOPD potential that will provide long-term cash flow to fund Indonesian exploration and production sharing contracts.

Indonesia production-sharing arrangements

Equatorial's Indonesian operations are conducted through a contractual production sharing agreement called a Technical Assistance Contract (TAC) with Pertamina, the state-owned oil and gas company.

Under Equatorial's TAC, the company provides financing and technical expertise to conduct exploration, development and production activities in a specified geographic area. On development projects, Pertamina allows Equatorial to increase its revenue share to as much as 80 per cent of the value of gross production, to the extent that Equatorial capital and operating costs are recovered. After capital cost recovery, Equatorial is entitled to a 15 per cent after-tax profit share of crude oil production after full recovery of operating costs. TACs have a 20-year term.

Tanjung Lontar Technical Assistance Contract

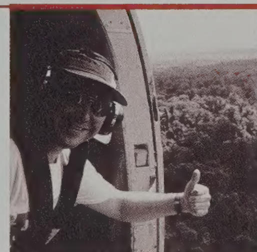
A significant milestone was reached in May 1997, when Equatorial officially took operational control of oil fields in the Indonesian Tanjung Lontar Technical Assistance Contract (TAC) area from Pertamina, the Indonesian state-owned oil and gas company.

Tanjung Lontar is in the South Sumatra sedimentary basin, an area with established reserves of more than 360 million barrels of oil and 3 trillion cubic feet of gas. The contract area consists of two blocks with a combined area of approximately 10,000 acres, containing three existing oil and gas pools: Tanjung Lontar, Sengkuang, and Arahan-Banjarsari.

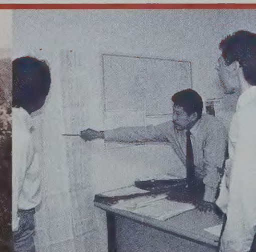
Equatorial has obtained the rights to produce from any zone in the Tanjung Lontar TAC — a unique situation in Indonesia, which usually grants the right to produce only from the historically productive zone. If exploratory deep wells are drilled, Equatorial will be allowed cost recovery of 140 per cent for exploration wells, if these deeper exploratory wells are successful.

Between June and December 1997, Equatorial successfully re-entered nine existing wellbores. Two of the wells had been drilled in 1985 by Pertamina and tested as oil productive at that time. They were successfully retested under the 1997 work program.

Of the other seven wells (drilled between 1928 and 1942, prior to the Japanese invasion during World War II), Equatorial successfully re-entered all seven, only one of which proved to be wet in the historically productive zone. The productive potential of the remaining six wells is 400 barrels of oil per day.



"Thumbs up!". Lee Pettigrew of Newcrest Capital Inc. enjoys a helicopter tour of Equatorial properties.



Engineers and geologists in Equatorial's Jakarta office discuss the log evaluation of Tanjung Lontar #33.

One of two intermediate depth wells drilled to evaluate historically productive and untested deeper horizon wells in the Tanjung Lontar field. Both wells have shown encouraging preliminary results.

equatorial plans

to establish a solid, growing cash-flow base through production acquisitions with recognizable potential, and to utilize this base to pursue significant upside through exploitation, exploration and development.

The company's initial focus on Indonesia allows us to exploit existing, proven reserves while pursuing production opportunities in other jurisdictions.

This work was done to obtain the "Declaration of Commerciality" from Pertamina. Commerciality allows the company to sell oil produced from Tanjung Lontar for the remaining 18.5 years of the TAC. 400 barrels per day of 47 degree sweet light crude oil production can now be delivered and sold on a daily basis. Equatorial expects daily production to increase to 900 barrels per day by year-end 1998, and to 3,500 barrels per day by year-end 1999.

Planning was completed for a five-well intermediate depth drilling program in the Tanjung Lontar and Sengkuang oilfields to test previously untested zones. Two intermediate depth wells were drilled early in 1998 in the Tanjung Lontar field to evaluate historically productive and untested deeper horizons. Both wells have shown encouraging preliminary results in tests currently underway.

In late 1997, Equatorial began the first well in a six well shallow drilling program on the Arahan-Banjarsari (ABS) field. One of these, ABS 62, has tested 160 barrels of oil per day.

Subsequent to year-end, Equatorial completed five additional shallow wells in the ABS field. Testing is underway and Equatorial has recently received Pertamina's approval for an additional 22 shallow well drilling program in the ABS field, the first of which were spud on April 27, 1998. The previous six shallow wells (800 feet total depth) have been drilled and completed for less than US $100,000 per well.

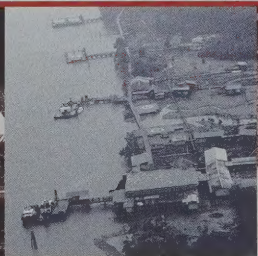
Final negotiations for delivery and sales of oil to Pertamina were completed in April 1998. Temporary delivery facilities were completed and deliveries began May 1998.

Sembakung Technical Assistance Contract

Equatorial signed an agreement with First Dynasty Mines Ltd. to purchase its 100 per cent interest in Energy Process Services Ltd. (EPS), which owns 80 per cent of Genindo EPS, the operator of the Sembakung oilfield in East Kalimantan.

The Sembakung oilfield currently produces approximately 3,500 barrels of oil per day, of which Pertamina retains about

Financial analysts on a visit to Equatorial's Sembakung field use motorscooters on a boardwalk to get around.



Barges and tugboats supply the main operational facility at the Sembakung oil field in East Kalimantan, Indonesia.

Taking an oil sample from a well in the Arahan-Banjarsari area of the Tanjung Lontar oilfield.

indonesia offers a prolific sedimentary basin,

under-explored and under-exploited; a well-developed infrastructure and services; a stable contractual system – Pertamina – in existence for 40 years; and a political situation that is improving daily.

Equatorial's excellent track record provides unique advantages in pursuing deals with low technical risk and high potential returns.

1,400 barrels as non-shareable oil, and this non-shareable portion decreases at a rate of 14.3 per cent per year. Equatorial intends to expand production beyond 11,000 barrels of oil per day through a capital investment program that will commence in the third quarter of 1998. It also expects to secure financing for both the purchase and the capital program prior to that time.

Equatorial will then begin field optimization in anticipation of the commencement of drilling in 1999. The contract, signed by the previous owner, is in effect until 2013.

Proved and provable reserves have been estimated at 37.9 million barrels. Production is expected to peak at 11,000 barrels per day in the year 2002.

A growing presence

Equatorial established a significant presence in Indonesia with the opening of a branch office in Jakarta and a field office in Muara Enim. The offices, which employ a total of approximately 40 people, strengthen Equatorial's ties with the company's Indonesian base of operations.

New opportunities

Because of Equatorial's success in Indonesia, the company and its Indonesian staff are highly regarded by Pertamina, placing us in a unique position to profit from emerging opportunities. Equatorial hopes to begin negotiations on other contracts with Pertamina by year-end.

Operating successfully in international settings requires the ability to adapt to different business, cultural and environmental conditions. Equatorial plans to build on its successes in Indonesia by expanding its activities both within the country and in other promising jurisdictions

Boardwalks facilitate travel over difficult terrain at the Sembakung field in East Kalimantan. Here gathering lines run along the surface to the main processing facility.

Tracy Howard, Executive [illegible], co-ordinates the efforts of a core group [illegible] and professional staff at the company's head [illegible]

Protecting Indonesia's rich and varied environment is an important consideration for oil and gas development in the country.

in search of new opportunities

equatorial's strategy is to build a portfolio based on three core countries, while remaining open to other opportunities as they arise.

The company is currently evaluating properties [illegible] Myanmar and Pakistan

Australian development continues

Authority to Prospect 550P was renewed by the government of Queensland for a further three years. Under ATP 550P, Equatorial's obligations are minimal: the company is committed to drilling one well in the third year of the agreement. However, after drilling two dry holes in 1996, the company is carefully considering its course of action. A decision is expected by year-end 1998.

In early 1997, Equatorial and its partners succeeded in applying for an exploration permit (ATP 634P). This permit is on hold pending the outcome of a constitutional debate that will address Australia's aboriginal surface rights issue. A final decision is not expected until late 1998 or early 1999.

In search of new opportunities

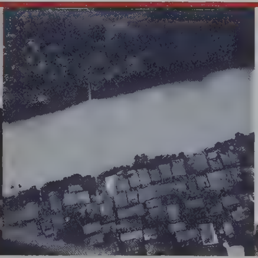
Trinidad

Equatorial entered into a joint venture study agreement with a North American consortium and the Trinidadian government to conduct a technical review of fields in Trinidad's southern basin. The objective was to evaluate certain old fields for their potential reactivation and new exploration. A report was completed early in 1998. Equatorial is evaluating future involvement in the area.

General

During 1997, Equatorial evaluated prospects in Myanmar, Pakistan and Kazakstan. After careful technical review, the company decided not to participate in the Pakistan opportunity. A decision will be made on the other two (2) prospects in the first half of 1998.

Sjaiful Achmad and Suryana are responsible for Equatorial's excellent working relationship with Pertamina, the state-owned oil and gas company.



A "kampong" or village in South Sumatra. Respecting local customs and lifestyles is an important factor in international operations.

Vittorio Veo is Equatorial's Managing Director and principal non-Indonesian representative in Jakarta.

indonesia

south sumatra deep oil and gas fields

Equatorial holds 100 per cent of Pilona Petro Lontar Ltd., which owns the Tanjung Lontar contract area at the southern end of the Island of Sumatra, and 80 per cent of the Sembakung Technical Assistance Contract in East Kalimantan, Indonesia.

Tanjung Lontar comprises three separate oil [illegible] estimated at [illegible] million barrels.

General Overview

The following discussion should be read together with the Consolidated Financial Statements contained elsewhere in this Annual Report.

The Corporation conducts all of its current Indonesian operations through a wholly owned subsidiary, Pilona Petro Tanjung Lontar Ltd. ("Pilona"), and all of its Australian operations through a wholly owned subsidiary, Auckland Investments Pty. Ltd. Accordingly, discussion of the Corporation's financial condition and results of operations for the periods described below reflect the operations of the Corporation and these entities. See "Basis of Presentation" and "Basis of Consolidation" in the summary of Significant Accounting Policies included with the Consolidated Financial Statements of the Corporation and notes thereto included elsewhere in this Annual Report.

The Corporation's activities relate to oil and gas operations currently in the pre-production stage and are accounted for using the "full-cost" method. All exploration costs are capitalized until commencement of production, upon which they are then amortized on the unit-of-production basis as the Corporation prepares initial statements of net income and retained earnings.

The Corporation's Indonesian operations are conducted through a contractual production sharing arrangement called a Technical Assistance Contract (or TAC) with Pertamina, the national oil company of Indonesia. Under the Corporation's TAC, the Corporation and its partners provide financing and technical expertise to conduct exploration, development and production activities in a specified geographic area.

All major contracts entered into by the Company have historically been denominated in United States dollars, and it is anticipated that this will continue to be the case. Such contracts include the Indonesian TAC, operating agreements in Australia and all major drilling and service contracts. The Indonesian TAC requires all revenue, when production commences, will be paid in United States dollars. The salaries of Indonesian employees, vendors and rentals, to date, which represent less than 20% of Indonesian expenditures, are normally paid in Rupiah. The Company's exposure to currency risk in the Rupiah is limited. To date, the effects of inflation in Indonesia have been more than offset by a significant devaluation or the Rupiah against the U.S. dollar since August, 1997.

In the long term, the Corporation expects that the most significant factors affecting its future profitability will be fluctuations in world crude oil prices, its ability to successfully exploit its existing oil reserves and its ability to discover additional reserves. The Corporation has the option to sell its future crude oil production to third parties at market price at the point of export or domestically

to Pertamina at Pertamina's realized price. Revenue, net operating income and recoverable net reserves of oil may also fluctuate significantly in proportion to the level of capital investment for exploration, development and production and operating expenses due to the fiscal terms of the TAC. Unlike royalties in North American concessions, the Indonesian government's share of revenue may vary considerably from one fiscal period to the next and between TAC's depending on the level of unrecovered prior period costs and current period exploration and development activity. In addition, after a period of five years starting the month of the first delivery of crude oil produced from each TAC, the Corporation will have a domestic marketing obligation, not generally exceeding approximately 7% to 8% of the crude oil produced from the contract area, which is delivered to Pertamina at 15% of market price at the point of export. Costs incurred in one TAC can not be recovered from revenues from another TAC. TACs cannot be consolidated for Indonesian income tax purposes, and each may have a different tax rate.

The Year 2000

Equatorial's management is in the process of evaluating possible information technology risks arising out of transactions with suppliers, customers and business partners. Although the company has the resources to replace component systems if needed, no material risk exposure has been identified to date.

Results from Operations

The following discussion of the Corporation's financial position should be read in conjunction with the Consolidated Financial Statements and related notes.

The Corporation's activities relate to oil and gas exploration and development which are currently in the pre-production stage. The Corporation follows the "full-cost" method of accounting for oil and gas operations whereby all exploration costs are capitalized until commencement of production. Following commencement of production, the costs are amortized on the unit-of-production basis as the Corporation prepares initial statements of net income and retained earnings.

Results for the Year Ended December 31, 1997

The Corporation incurred a loss of $1,053,371 or $0.07 per share for the year ended December 31, 1997, as compared to a loss of $521,660, or $0.07 per share for the comparative period in the prior year. This loss consists entirely of start-up administration expenses in the Corporation's Calgary head office.

The 102% increase in the loss, as compared to the 1996 loss for the year, is attributable to required head office support to the Pilona TAC acquired in late 1996 and the expanded scope of the Corporation's International oil and gas operations.

Consulting fees include $221,307 paid to two company officers and four consulting staff persons $105,530 to various consultants directly pursuing oil and gas opportunities outside of North America and $93,918 to other external technical and financial service providers.

The Corporation established a Calgary office in March 1997 and commenced hiring full time salaried employees to reduce its reliance on consulting staff persons. Salaries include the president's salary for the full year, two full time officers hired during the year and one full time administrative assistant.

Travel costs of $126,270 increased 198% from the corresponding one-year period in 1996. Eighty-five percent of the incremental costs relates to travel activities associated with senior officers and directors directly pursuing oil and gas opportunities outside of North America. The balance of the increase is travel associated with administering and financing the Corporation's Indonesian interests to the extent that it is not directly chargeable to those interests.

Over half of the 64% increase in legal, audit and tax expense, over the corresponding 1996 period, is a result of accruing 1996 and 1997 audit fees in the 1997 year. The balance of the increase is attributable to legal fees, which reflect an increase in general activity in the year.

The increase in shareholder communication costs from the amount expended in the 1996 year is attributable to $40,000 in incremental printing costs associated with the Corporation's first full year of statutory mailings and $17,000 in costs associated with preparing an investor relations multi-media presentation.

Results for the Year Ended December 31, 1996

The Corporation was inactive during 1995. Accordingly, results of operations for the year ended December 31, 1996 have not been compared with results of operations for the year ended December 31, 1995.

The Corporation incurred a net loss of $521,660, or $0.07 per share, for the year ended December 31, 1996. The loss is comprised of "start-up" general and administrative expenses of which $259,211, or 49.7%, is represented by fees paid to consultants. Of the remaining $262,449 comprising the loss, legal and audit fees were $80,953, or 15.5 % of the total, while shareholder communication expenses were $61,592, or 11.8% of the loss.

Financial Resources and Liquidity

To date, the Corporation's operations, capital expenditures and working capital requirements have been funded solely by cash generated by the Corporation's financing activities.

Total funds from financing activities were $18,206,784. Two private placements of Special Warrants were completed during 1997 for cash proceeds of $16,599,528, net of share issue costs of $1,187,972. These were exercised into shares in December 1997. A third $2,300,000 private placement of Special Warrants was completed as consideration for the purchase of the Corporation's remaining 25% interest in Pilona. This issue was also exercised in December, 1997 into Common Shares.

Capital expenditures for 1997, including the purchase of the Corporation's remaining 25% interest in Pilona were as follows:

Capital development program – Indonesia	$	2,858,960
Pre-production costs – Indonesia		2,339,414
Acquisition of 25% of Pilona Common Shares		2,300,000
Ancillary acquisition costs – Pilona		172,569
Total Indonesia		7,670,943
Exploration drilling – Australia		660,235
Onshore study – Trinidad		311,560
Office equipment		71,892
	$	8,714,630

During 1996, the Corporation issued 3,520,000 Common Shares for net cash proceeds of $2,720,400, including $2,040,000 received on the exercise of stock options as detailed below. 2,520,000 Common Shares were issued at $0.27 per Common Share in a private placement which netted the treasury $680,400. Certain officers and employees also exercised incentive stock options and acquired 1,000,000 Common Shares at $2.04 per share for cash proceeds of $2,040,000.

In December, 1996, the Corporation also issued notes bearing interest at a rate of 8% per annum, which provided the Corporation with an additional $685,300 (U.S. $500,000) to fund part of the acquisition cost of 75% of Pilona. The notes were due and were paid in full on February 20, 1997 using a portion of the proceeds from the sale of the Special Warrants. The note holders were entitled to and received a bonus of $68,530 (equal to 10% of the principal amount of the notes), which bonus was paid at the time the notes were repaid.

The total cash proceeds of $3,405,700 raised in 1996 through these debt and equity transactions were applied to partially fund the Corporation's exploration activity at ATP 550P ($884,228) and to partially fund the Corporation's acquisition of an interest in the Tanjung Lontar TAC ($1,898,425). The remaining funds were applied to general working capital.

On November 22, 1996, the Corporation acquired 75% of Pilona by acquiring 100% of the issued and outstanding Common Shares of Antrim International Energy Inc. ("Antrim") and exercising a right held by Antrim to purchase 75% of Pilona. Pilona holds the Tanjung Lontar TAC. The Corporation paid $5,932,339 to acquire Antrim and 75% of Pilona as follows:

PURCHASE OF ANTRIM		
2,080,000 Common Shares issued at an ascribed value of $1.55 per share	$	3,224,000
Cash		35,339
		3,259,339
PURCHASE OF 75% OF PILONA		
500,000 Common Shares issued at an ascribed value of $2.00 per share		1,000,000
Cash (U.S. $1,150,000)		1,539,160
Accrued education and training bonus (U.S. $100.000)		133,840
Total Cost	$	5,932,339

The Corporation also agreed to pay contingent cash consideration of U.S. $450,000 for Pilona represented by 11 installments of U.S. $40,000 per month following the month in which commercial production from the Tanjung Lontar TAC is obtained and one installment of U.S. $10,000 in the month following the 11th installment of $40,000 in the form of a "net profits interest". Following commencement of commercial production, a minimum installment of U.S. $15,000 is required to be paid to satisfy the "net profits interest". Net profits interest is defined as all revenues, receipts and income received by Pilona in a particular month solely from the Tanjung Lontar TAC, regardless of the month in which they accrue less all operating costs and expenses, general and administrative expenses, capital expenses and interest and principal payments, solely attributable to the Tanjung Lontar TAC and paid in such month regardless of the month in which they accrue. If actual net profits are insufficient to meet the monthly obligations, the unpaid balance shall accrue and be paid in subsequent months.

management's responsibility for financial reporting

To the Shareholders of Equatorial Energy Inc.

The consolidated financial statements of Equatorial Energy Inc. were prepared by and are the responsibility of management. The statements have been prepared in conformity with the Canadian generally-accepted accounting principles appropriate in the circumstances and include some amounts that are based on management's best estimates and judgements.

The Company maintains systems of internal accounting controls designed to provide reasonable assurance that all transactions are properly recorded in the Company's books and records, that policies and procedures are adhered to , and that assets are protected from unauthorized use. The systems of internal accounting controls are complemented by the selection, training, and development of professional financial managers.

The consolidated financial statements have been audited by the independent accounting firm, Deloitte & Touche, whose appointment will be ratified yearly by the shareholders at the annual shareholders' meeting. The independent accountants conduct a review of internal accounting controls to the extent required by generally-accepted auditing standards and perform such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements.

The Audit Committee of the Board of Directors periodically meets with the independent accountants and management to satisfy itself that it is properly discharging its responsibilities. The independent accountants have unrestricted access to the Audit Committee, without management present, to discuss the results of their examination and the quality of financial reporting and internal accounting control.

G. Marshall Abbott
President & Chief Executive Officer
February 24, 1998

David N. Matheson
Executive Vice President & Chief Financial Officer

auditors' report

To the Shareholders of Equatorial Energy Inc.

We have audited the consolidated balance sheet of Equatorial Energy Inc. as at December 31, 1997 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The financial statements for the year ended December 31, 1996 were audited by other auditors who issued an unqualified report thereon.

Deloitte & Touche

Chartered Accountants
Calgary, Alberta
February 24, 1998

	1997	1996
Current		
Cash	$ 9,124,645	$ 2,114
Cash – purchase deposit (Note 10)	357,625	81,710
Accounts receivable	105,453	19,142
	9,587,723	102,966
Advances to Operators	56,323	229,991
Petroleum and Natural Gas Interests, full cost method (Note 5)	15,939,753	7,251,961
	$ 25,583,799	$ 7,584,918
Current		
Accounts payable and accrued liabilities	$ 1,207,990	$ 362,522
Loans payable (Note 6)	–	685,300
	1,207,990	1,047,822
SHAREHOLDERS' EQUITY		
Share capital (Note 7)		
Authorized		
Unlimited number of Common Shares without par value		
Unlimited number of preferred shares without par value		
Issued		
27,165,646 (1996 – 14,265,646) Common Shares	25,977,602	7,085,518
Deficit	(1,601,793)	(548,422)
	24,375,809	6,537,096
	$ 25,583,799	$ 7,584,918

See accompanying notes to the consolidated financial statements.

ON BEHALF OF THE BOARD

G. Marshall Abbott, Director

David N. Matheson, Director

consolidated statements of operations and deficit

Year ended December 31	1997	1996
REVENUE	$ –	$ –
EXPENSES		
Consulting fees	420,755	259,211
Salaries	209,192	–
Legal, audit and tax	132,550	80,953
Travel	126,270	42,372
Shareholder communication	120,314	61,592
Office expense	98,106	38,952
Public listing	48,125	10,410
Office rent	29,553	22,859
Depreciation	26,838	3,563
Interest and bank charges	8,671	5,718
Interest revenue	(122,751)	(29,823)
Foreign exchange (gains) loss	(44,252)	25,853
	1,053,371	521,660
Net Loss for the Year	(1,053,371)	(521,660)
DEFICIT, BEGINNING OF YEAR	(548,422)	–
Adjustment on acquisition of oil and gas interest (Note 8)	–	(26,762)
[illegible]	(1,601,793)	(548,422)
Loss per share	$ (0.07)	$ (0.07)

See accompanying notes to the consolidated financial statements.

consolidated statements of changes in financial position

Year ended December 31	1997	1996
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	$ (1,053,371)	$ (521,660)
Items not affecting cash:		
Depreciation	26,838	3,563
Changes in non-cash working capital:		
Accounts receivable	(86,311)	(19,142)
Accounts payable	845,468	362,522
	(267,376)	(174,717)
FINANCING ACTIVITIES		
Issue of common shares, for cash (net of issue expenses)	16,599,528	2,581,340
Issue of securities on purchase of subsidiaries (Note 7)	2,292,556	4,444,000
Loan proceeds (repayments)	(685,300)	685,300
Repayment of shareholder loan (Note 4)	–	(70,000)
	18,206,784	7,640,640
INVESTING ACTIVITIES		
Petroleum and natural gas interests	(6,414,630)	(944,861)
Net assets acquired on purchase of subsidiaries (Note 4)	(2,300,000)	(6,267,425)
Advances to operators	173,668	(229,991)
Net assets acquired on purchase of Linden Exploration Inc. (Note 3)	–	60,158
	(8,540,962)	(7,382,119)
Increase	9,398,446	83,804
Cash, Beginning of Year	83,824	20
Cash, End of Year	$ 9,482,270	$ 83,824

See accompanying notes to the consolidated financial statements.

1. Nature of Business

On May 13, 1996 Linden Explorations Inc. ("Linden") was effectively purchased by Australian Oilfields Pty. Ltd., ("the Corporation" — formerly 675533 Alberta Ltd.), a private company incorporated in Alberta, Canada on November 30, 1995. This transaction was accounted for as a reverse takeover. On May 23, 1996, Linden changed its name to Australian Oilfields Pty. Ltd. On June 10, 1997, the Corporation was continued under the laws of Alberta, Canada as Equatorial Energy Inc.

These financial statements reflect the results of operations of the Corporation from the date of incorporation on November 30, 1995 and the results of operations of Linden from the deemed date of acquisition on May 13, 1996.

The Corporation is in the business of exploration for and development of petroleum and natural gas interests.

2. Significant Accounting Policies

a. Basis of presentation

The consolidated financial statements are presented in accordance with generally accepted accounting principles applicable in Canada and are expressed in Canadian dollars.

b. Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries Equatorial Energy (International) Inc., Pilona Petro Tanjung Lontar Ltd. ("Pilona") and Auckland Investments Pty. Ltd. All significant intercompany transactions and accounts have been eliminated.

c. Cash and cash equivalents

Cash includes short-term investments with a maturity of ninety days or less at the time of issue.

d. Petroleum and natural gas interests

The Corporation follows the full cost method of accounting for petroleum and natural gas interests whereby all costs of exploring and developing petroleum and natural gas reserves, net of government grants, are capitalized by individual country cost center. Such costs include land acquisition costs, geological and geophysical expenses, costs of drilling both productive and non-productive wells and overhead charges directly related to acquisition, exploration and development activities.

The total carrying value of the Corporation's petroleum and natural gas interests, less accumulated depletion, will be limited to the estimated future net revenue from production of proven reserves, based on unescalated prices and costs plus the lower of cost and net realizable value of unproved properties, less estimated future development costs, general and administrative expenses, financing costs

and income taxes. The carrying value of unproven properties will be reviewed periodically to ascertain whether impairment has occurred. Where impairment has occurred, the costs will be written down to their net realizable value.

For each cost centre, the costs associated with proven reserves will be depleted on the unit-of-production method based on an independent engineering estimate of proved reserves, after royalties, with natural gas converted to its energy equivalent at a ratio of six thousand cubic feet of natural gas to one barrel of oil.

The Corporation provides for future estimated site restoration costs using the unit-of-production method based on costs and regulations in effect at the end of the year.

Office equipment is amortized on a straight-line basis over five years.

e. Government take

Operations conducted jointly with the Indonesian national oil company ("Pertamina") will be reflected in these financial statements based on the Corporation's proportionate interest in such activities. All Pertamina interests, other than income and revenue taxes, will be considered to be government take. Government take on production from Indonesian properties represents the entitlement of Pertamina to a portion of the Corporation's share of crude oil, liquids and natural gas production and will be recorded using rates in effect under the terms of contracts at the time of production.

Under the terms of each contract, the Corporation is entitled to use gross proceeds of production to recover substantially all of the non-capital costs incurred during each year as well as current year depreciation for capital costs and any costs unrecovered from prior years. Such gross proceeds of production will be included in revenue before government take.

The maximum cost recovery in any year is 80% of gross revenue for the first two years of production, reducing by 5% for every two years to 65% after the sixth year of production. Pertamina and the Corporation are entitled to share the remaining oil profits based upon the terms in each contract. The Corporation's pre-tax profit share on oil production is generally the rate that will provide an after-tax profit share of 15% prior to the domestic marketing obligations described below.

After a period of five years starting the month of the first delivery of crude oil produced from each new field in the contract area, the participant will typically have a domestic marketing obligation to sell a portion, not generally exceeding approximately 7% to 8%, of the crude oil produced from the contract area, at 15% of the market price at the point of export.

f. Foreign currency translation

Transactions of the Corporation and its subsidiaries that are denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains and losses arising on the translation of monetary assets and liabilities, are included in the determination of income for the year.

g. Measurement uncertainty

Estimation of reserves in the Corporation's petroleum and natural gas interests is subject to inherent uncertainty. Since these reserve measures enter into the computation of net recoverable amount and depletion and amortization, there is uncertainty of measurement in the Corporation's petroleum and natural gas interests.

h. Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

i. Fair value of financial instruments

The respective values of financial instruments approximated their fair values. These financial instruments include cash, accounts receivable, advances to operators, accounts payable, accrued liabilities and loan payable. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand.

3. Linden Explorations Inc.

The acquisition by Linden has been accounted for as a reverse takeover as if it were the acquired company. At the date of acquisition, May 13, 1996, Linden was an inactive company listed on the Vancouver Stock Exchange with 3,165,646 shares outstanding.

Net assets acquired, using the purchase method of accounting:

Working capital	$	60,158

Consideration given, based on the book value of the net assets acquired:

5,000,000 Common Shares of the Corporation	$	60,158

The operating results of Linden are included in the Corporation's consolidated results of operations from the date of acquisition. A summary of the financial position, operating results and changes in financial position of Linden prior to the change in control, with comparative information, is as follows:

	May 13, 1996	September 30, 1995
Net tangible assets	$ 60,158	$ 301,843
Shareholder's equity	$ 60,158	$ 301,843

	Period ended May 13, 1996	Year ended September 30, 1995
Petroleum and natural gas sales	$ 65,649	$ 163,726
Gain on disposal of petroleum and natural gas interests	51,849	–
Operating costs	(41,186)	(87,817)
Depletion, depreciation and amortization	(21,100)	(95,759)
General and administrative expense	(38,006)	(50,298)
Net income (loss)	$ 17,206	$ (70,148)
OPERATING ACTIVITIES		
Net income (loss) for the period	$ 17,206	$ (70,148)
Depletion, depreciation and amortization	21,100	95,759
Changes in non-cash working capital	10,960	46,001
Gain on disposal of petroleum and natural gas interests	(51,849)	–
	(2,583)	71,612
FINANCING ACTIVITIES		
Proceeds on disposal of petroleum and natural gas interests	360,000	6,000
Issue of Common Shares	264,150	–
Conversion of preferred shares	(500,000)	–
Conversion of management fee payable	(78,250)	–
Receipt of loan receivable	56,887	–
Preferred share dividends	(75,000)	(50,000)
	27,787	(44,000)
INVESTING ACTIVITY		
Petroleum and natural gas interests	(21,677)	(13,319)
Increase in cash	3,527	14,293
Cash and cash equivalents, beginning of period	60,848	46,555
Cash and cash equivalents, end of period	$ 64,375	$ 60,848

4. Purchase of Pilona Petro Tanjung Lontar Ltd. ("Pilona")

On November 22, 1996 the Corporation acquired 75% of Pilona by acquiring 100% of the issued and outstanding Common Shares of Antrim International Energy Inc. ("Antrim") and directly exercising a right held by Antrim to purchase 75% of Pilona. Pilona holds a Technical Assistance Contract ("TAC") with the state oil and gas company of Indonesia. There were no liabilities or non-controlling interests of Antrim assumed by the Corporation.

Net assets acquired, using the purchase method of accounting:

Petroleum and natural gas interests	$	5,932,339

Consideration given:

FOR PURCHASE OF ANTRIM		
2,080,000 Common Shares of the Corporation	$	3,224,000
Cash		35,339
		3,259,339
FOR PURCHASE OF PILONA		
500,000 Common Shares of the Corporation		1,000,000
Cash (U.S. $1,150,000)		1,539,160
Accrued education and training bonus (U.S. $100,000)		133,840
		2,673,000
Total cost	$	5,932,339

Consideration given included $70,000 which was applied to repay shareholder loans of Antrim.

Contingent consideration given:

Contingent cash consideration of U.S. $450,000 shall be paid in 11 instalments of U.S. $40,000 and one instalment of U.S. $10,000 per month payable out of the cash flow of Pilona for the immediately preceding month commencing the first month in which commercial production from the TAC is obtained. If, after commercial production from the TAC is obtained, Pilona cash flow is not sufficient to pay the full amount of the instalment, a minimum instalment of U.S. $15,000 is due and the remainder shall accrue and be paid in subsequent months. The TAC requires a minimum exploitation and development program of U.S. $2,700,000 over the 3 year period ending October 6, 1999, and a bonus of U.S. $100,000 on the commencement of commercial production.

On March 14, 1997, the Corporation completed the acquisition of the remaining 25% of Pilona. Consideration for this transaction was the issuance of 1,150,000 Common Shares of the Corporation at a price of $2.00 each. The net assets acquired comprised petroleum and natural gas interests which were recorded at $2,300,000.

Pursuant to the terms of the agreement governing the acquisition of the remaining 25% of Pilona, the parties have agreed to revalue the remaining 25% of Pilona (the "Remaining Shares") on or before March 12, 1999. If the fair market value at the valuation date is greater than U.S. $1.7 million, the Corporation shall issue additional Common Shares to the Pilona vendors at the market price at that date, equal in value to the greater of: (a) the fair market value of the Remaining Shares minus U.S. $1.7 million or (b) U.S. $1.3 million. The valuation of Pilona's petroleum and natural gas interests derived through the Pilona TAC will be made by an independent engineer using a discount rate of 15%, and by applying constant price and cost assumptions. Other net assets and liabilities, including loans from the Corporation to Pilona, will be valued at the lesser of their fair market value or book value.

5. Petroleum and Natural Gas Interests and Segmented Information

	Indonesia (proven)	Australia (unproven)	Trinidad (unproven)	Other	Total
1997					
Petroleum and natural gas acquisition (Notes 4 and 7)	$ 8,594,993	$ 188,238	$ –	$ –	$ 8,783,231
Petroleum and natural gas exploration and development	5,198,374	1,544,463	311,561	12,500	7,066,898
Other equipment	–	–	–	107,525	107,525
	13,793,367	1,732,701	311,561	120,025	15,957,654
Accumulated depreciation and depletion	–	–	–	(17,901)	(17,901)
Petroleum and natural gas interests, full cost method	$ 13,793,367	$ 1,732,701	$ 311,561	$ 102,124	$ 15,939,753
1996					
Petroleum and natural gas acquisition (Notes 4 and 7)	$ 6,122,425	$ 188,238	$ –	$ –	$ 6,310,663
Petroleum and natural gas exploration and development	–	884,228	–	25,000	909,228
Other equipment	–	–	–	35,633	35,633
	6,122,425	1,072,466	–	60,633	7,255,524
Accumulated depreciation and depletion	–	–	–	(3,563)	(3,563)
Petroleum and natural gas interests, full cost method	$ 6,122,425	$ 1,072,466	$ –	$ 57,070	$ 7,251,961

In addition to the above, on December 31, 1997 the Corporation had identifiable assets of $9,335,790 in Canada (1996 — $21,256), $251,933 in Indonesia (1996 — $136,534) and $56,323 in the United States (1996 — $175,167). The Corporation's net losses for the periods from the date of incorporation occurred in Canada.

All of the Corporation's activities are in one business segment, petroleum and natural gas exploration and development.

Petroleum and natural gas interests at December 31, 1997 include pre-production overhead of $2,486,171 (1996 — $0) relating to costs directly attributable to the Company's exploitation activities.

6. Loans Payable

The loans payable of $685,300 (U.S. $500,000) at December 31, 1996 accrued interest at 8% and matured on February 20, 1997. Each lender was entitled to a bonus payment amounting to 10% of the loan face amount. The loans, together with the bonus payments, were paid in full prior to the maturity date from the proceeds of the Special Warrants (Note 7(a)).

7. Share Capital

a. Issued

	Number of Shares	Capital Stock
Balance at May 13, 1996 (formerly Linden)	3,165,646	$ 2,053,674
Adjustment on consolidation	–	(1,993,516)
Issued for cash		
Private placements	2,520,000	680,400
Exercise of options	1,000,000	2,040,000
Issued on exchange of legal subsidiary shares	9,025,000	220,000
Escrow shares issued for legal subsidiary voluntarily cancelled at the request of certain shareholders	(4,025,000)	–
Issued on purchase of Antrim and Pilona	2,580,000	4,224,000
Common Share issue expenses	–	(139,040)
Consolidated balance at December 31, 1996	14,265,646	7,085,518
Issued for cash		
On exercise on Class "A" Special Warrants	3,250,000	5,037,500
On exercise on Class "C" Special Warrants	8,500,000	12,750,000
Class "B" Special Warrants issued on purchase of subsidiary subsequently converted to Common Shares	1,150,000	2,300,000
Common Share issue expenses	–	(1,195,416)
Consolidated balance at December 31, 1997	27,165,646	$ 25,977,602

Three special warrant issues were closed during 1997 for total net proceeds of $18,892,084. These were comprised of 3,250,000 Class "A" Special Warrants issued for cash at $1.55 per warrant, 1,150,000 Class "B" Special Warrants issue for the purchase of the Corporation's remaining interest in Pilona (see Note 4) at $2.00 per warrant and 8,500,000 Class "C" Special Warrants issued for cash at $1.50 per warrant.

All special warrants were exercised prior to December 31, 1997 for no additional consideration resulting in the issuance of one Common Share per special warrant. Share purchase warrants issued on exercise of the Class "A" Special Warrants, expired unexercised on January 29, 1998.

On November 22, 1996, certain founding shareholders of the Corporation cancelled 4,025,000 performance escrow shares as a condition of the acquisition of 100% of Antrim International Energy Inc. and 75% of Pilona Petro Tanjung Lontar Ltd. The cancellation of the performance escrow shares was approved by the appropriate regulatory authorities in the Province of British Columbia.

b. Summary of options outstanding at December 31, 1997:

	Number	Exercise Price	Expiry
Balance, November 30, 1995 and December 31, 1995	–		
Granted during the period	1,350,000	$ 2.04	May 17, 1997
	700,000	2.51	June 17, 1997
Exercised during the period at $2.04	(1,000,000)		
Outstanding at December 31, 1996	1,050,000		
Expired during the period	(1,050,000)		
Granted during the period	1,475,000	1.55	June 3, 2002
	150,000	1.55	August 21, 2002
	175,000	1.90	Sept. 29, 2002
Outstanding at December 31, 1997	1,800,000		

All options are held by Corporation directors, officers and service providers.

In 1997, the Corporation also issued an option to acquire 200,000 shares at a price of $1.95 per share as partial consideration for the acquisition of 75% of Pilona. The option expires on February 10, 2000.

c. Loss per share

During 1997, loss per share has been calculated based on 14,336,331 (1996 — 7,381,256) weighted average shares outstanding.

8. Related Party Transactions

The Corporation acquired its interest in its Australian petroleum and natural gas prospect during 1997 from a company controlled by a common director for $215,000 which was $26,762 greater than original cost of $188,238 (see Note 5). The property and shareholders deficit have been adjusted to reflect the transaction as if it had occurred at original cost.

At December 31, 1997, the Corporation has also advanced $280,358 (U.S. $200,000) (1996 — $54,824) to a company controlled by a common director, as part of a joint venture entered into in the normal course of its business.

Consulting fees, rent and office expense for 1997 include $46,788 (1996 — $62,018) paid to a company with a common director and $252,000 (1996 — $51,970) paid to directors or companies controlled by directors.

9. Income Taxes

The benefit of the Corporation's losses for income tax purposes has not been recognized in the accounts. At December 31, 1997, the Corporation had losses for Canadian income tax purposes of approximately $1,750,000, of which $1,128,000 expire on December 31, 2004 and $622,000 expire on December 31, 2003.

10. Acquisition Agreement

On January 14, 1998 the Corporation signed an agreement to purchase 100% of the issued and outstanding shares of Energy Process Services Limited ("EPS") from First Dynasty Mines Ltd. ("FDM"). EPS owns 80% of Genindo EPS Petroleum Ltd. ("GEPS"), which holds a TAC for a producing oilfield in East Kalimantan, Indonesia.

The purchase price paid by the Corporation to FDM will be U.S. $23,000,000 and is subject to working capital adjustments. The Corporation is entitled to all working capital that accrues between January 1, 1998 and closing. Under a separate agreement with the same closing date, the Corporation has agreed to purchase a drilling rig for U.S. $3,000,000.

Closing will take place on the later of April 30, 1998 or 30 days after FDM has delivered audited consolidated financial statements of EPS to the Corporation for the fiscal year December 31, 1997.

Under the shareholder agreement of GEPS, the Corporation will own a 100% working interest in the TAC. Once the Corporation pays the Indonesian government take, recovers its capital expenditures and collects any interest and principle on capital funds loaned to the 20% GEPS minority interest, its working interest reverts to 80%.

At December 31, 1997 the Corporation had $357,625 (U.S. $250,000) on deposit in trust pending the closing of the purchase. The amount is fully refundable should the transaction not be completed, unless the Corporation is not able to receive sufficient financing to complete.

An experienced team

G. Marshall Abbott. P.Geol.

President, CEO and Director

A professional geologist with 15 years senior exploration experience, Mr. Abbott has been involved in a number of discoveries during his career. Before joining Equatorial, he was Vice-President, Exploration, for Stampeder Exploration Ltd., a public oil and gas company listed on the Toronto Stock Exchange from November 1992 to July 1996. Mr. Abbott was appointed President and CEO of Equatorial in November 1996.

David N. Matheson, C.A.

Executive Vice-President, CFO, Secretary and Director

Mr. Matheson is a chartered accountant with 20 years' experience in financing Canadian oil and gas projects, and supervising the financial and accounting functions of operating companies. From September 1988 to March 1996, Mr. Matheson was the Vice-President, Finance, and Chief Financial Officer of M.L. Cass Petroleum Corporation, a public oil and gas exploration company listed on the Toronto Stock Exchange. He was appointed Executive Vice-President and CFO of Equatorial in November 1996.

Robert L. Hodgkinson

Chairman and Director

Mr. Hodgkinson is President and CEO of Optima Petroleum Corporation, an oil and gas producer, listed on NASDAQ and the Toronto Stock Exchange, which has operations in the Gulf Coast region of the United States and in Alberta. He brings 20 years' investment experience, primarily in the oil and gas exploration business, to his role as Chairman and Director of Equatorial.

Ir K.A. Sjaiful Achmad, P.Eng.

Director

Mr. Sjaiful Achmad is President of Pilona Petro Tanjung Lontar Ltd., the wholly-owned subsidiary of Equatorial that holds the Tanjung Lontar Technical Assistance Contract.

Mr. Sjaiful Achmad has significant experience with Pertamina, the state oil and gas company of Indonesia, having worked with that organization in various capacities since 1979.

Nabih A. Faris, P.Eng.

Director

The president of Intergulf Development Group, Mr. Faris is a Professional Engineer with an extensive background in the financing and operation of emerging energy companies. He was a director of Renaissance Energy Ltd., a Toronto Stock Exchange-listed company, from October 1983 to January 1986, and has been a director of Penn West Petroleum Ltd., a Toronto Stock Exchange-listed company, since April 1988.

Henry W. Sykes, LLB

Director

Mr. Sykes is a partner at the law firm of Bennett Jones Verchere in Calgary, Alberta, where he has practised law since 1983. He is currently a member of that firm's Executive Committee. A specialist in corporate finance and securities law, Mr. Sykes is a member of the Law Society of Alberta, the Law Society of England and Wales, and the Canadian Bar Association.

Anthony Edwards

Vice-President, Exploration

A geologist/geophysicist with 23 years' experience in exploration and development, Mr. Edwards began his career in the U.K. North Sea has since worked in many of the world's sedimentary basins. During the five year period preceding February 1997, he held senior positions at Norcen Energy Resources Limited as Exploration Manager — Venezuela and Team Leader — Progress area. Mr. Edwards was appointed to his present position in April 1996.

Richard P. Cooper, P.Eng.

Vice-President, Engineering

Before being appointed to his present position in February 1997, Mr. Cooper, a Petroleum Engineer, accumulated 15 years' experience in the energy industry. He spent six years with Schlumberger in southeast Asia, plus three years with PanCanadian Petroleum Limited and six years with Chevron in Canada.

Vittorio Veo, P.Eng.

Director, Pilona Petro Tanjung Lontar Ltd., Indonesia

Mr. Veo holds a Mechanical Engineering degree and has over 33 years engineering experience, mainly in the international petrochemical and oil and gas industries. He has spent the last 11 years in Indonesia and is fluent in all aspects of field operations as well as in the Indonesian language and culture.

Michael A. Wilhelm, B.Comm.

Controller

Mr. Wilhelm is a Certified General Accountant with 15 years' experience, including 10 in the energy industry. In the past five years he simultaneously held positions as controller of Optima Petroleum Corporation, controller and secretary of Vortek Industries Ltd. and, since May 1996, Controller of Equatorial.

Board of Directors

G. Marshall Abbott
President and Chief Executive Officer
Equatorial Energy Inc.

David N. Matheson[1]
Executive Vice President
and Chief Financial Officer
Equatorial Energy Inc.

Ir K.A. Sjaiful Achmad
President
Pilona Petro Tanjung Lontar Ltd.

Nabih A. Faris[1]
President
Intergulf Investment Corp.

Robert L. Hodgkinson
President
Optima Petroleum Corporation

Henry W. Sykes[1]
Partner
Bennett Jones Verchere
Barristers & Solicitors

(1) Member of Audit Committee

Officers

G. Marshall Abbott
President and Chief Executive Officer

David N. Matheson
Executive Vice President,
Chief Financial Officer and Secretary

Anthony Edwards
Vice President, Exploration

Richard P. Cooper
Vice President, Engineering

Michael A. Wilhelm
Controller

Solicitors

Bennett Jones Verchere
Calgary, Alberta

Banker

Royal Bank
Calgary, Alberta

Auditors

Deloitte & Touche
Calgary, Alberta

Transfer Agent

Montreal Trust
Calgary, Alberta

Listed

Vancouver Stock Exchange
Trading Symbol - OZ

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Annual General Meeting

10:00 am, June 18, 1998
Bennett Room
The Ranchmen's Club
710 13 Avenue SW
Calgary, Alberta

equatorial

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